
OLR Bill Analysis

sHB 5230 (as amended by House "A")*

AN ACT CONCERNING VARIOUS CHANGES TO PROPERTY AND CASUALTY INSURANCE STATUTES.

SUMMARY:

This bill broadens the applicability of standard fire insurance policy provisions regarding the (1) period when a loss is payable after proof of loss, (2) period when a suit or action for the recovery of a claim must be commenced, and (3) definitions of actual cash value and depreciation.

The bill specifies when insurers may impose a hurricane deductible in the policy instead of an overall policy deductible under homeowners and certain other policies issued or renewed on or after July 1, 2012.

The bill requires people who mitigate losses incurred on or after July 1, 2012 that are covered by a personal risk insurance or commercial risk policy to give the insured, before any work begins, written notice of the work to be completed and the estimated total price. If the person performing the mitigation does not do so, any contract for the mitigation between that person and the insured is void. The requirement does not apply to repairs to an automobile covered by insurance or repairs that are covered by the laws governing home improvement contractors. The bill does not define "mitigation."

By law, insurance adjusters may not charge or collect a fee if, within 30 days of a loss to a structure covered by a fire insurance policy, the insurer offers in writing to pay the full policy limits. The bill requires that any fee the adjuster charges the insured to be (1) based only on the amount of the insurance settlement proceeds actually received by the insured and (2) collected by the adjuster after the insured has received the proceeds from the insurer.

* House Amendment "A" (1) expands the scope of the hurricane deductible provisions to apply to personal risk and condominium association policies rather than just homeowners' policies, (2) delays the effective date of these provisions from July 1, 2012 to October 1, 2012, and (3) adds the provision on adjusters.

EFFECTIVE DATE: July 1, 2012, except that the hurricane deductibles provisions are effective October 1, 2012.

EXTENSION OF STANDARD FIRE INSURANCE POLICY REQUIREMENTS

By law, a fire insurance policy must meet various requirements (CGS § 38a-307). A policy that covers against fire and other perils generally does not need to meet these requirements with regard to coverage of perils other than fire.

The bill extends to the coverage against these other perils the provisions of standard fire policies that specify the following:

1. The amount of loss for which the company is liable is payable 30 days after it receives proof of loss and the loss is ascertained. The company and the insured may agree in writing to a partial payment as an advance payment, but this does not affect the requirement for the company to pay the total amount of loss within 30 days after proof of loss.
2. No suit or action on the policy for the recovery of any claim may be sustained in any court unless all the requirements of the policy have been complied with and the suit or action is commenced within 18 months after the loss.
3. The actual cash value at the time of loss for a building is the amount which it would cost to repair or replace the building with material of like kind and quality, minus reasonable depreciation.

Depreciation means a decrease in the value of real property over a period of time due to wear and tear.

These provisions apply to policies or contracts issued or renewed on or after July 1, 2012.

HURRICANE DEDUCTIBLES

The bill allows insurers to impose a hurricane deductible in the policy in lieu of an overall policy deductible for homeowners and certain other policies issued or renewed on or after July 1, 2012, if a hurricane results in a maximum sustained surface wind of 74 miles per hour or more for any part of the state. This provision applies to a (1) homeowners', tenants', mobile manufactured home, and other property and casualty insurance for personal, family, or household needs other than workers' compensation insurance; (2) condominium association master policy; and (3) unit owners' association property insurance policy.

The deductible applies from the time the National Hurricane Center issues a hurricane warning for any part of this state and ends 24 hours after the National Hurricane Center (1) terminates the last hurricane warning for any part of this state or (2) issues its last downgrade of the hurricane from hurricane status for any part of this state, whichever is earlier.

This provision is effective October 1, 2012, but the bill applies it retroactively to policies issued or renewed between July 1, 2012 and then.

The bill allows the insurance commissioner to adopt regulations to implement this provision and the department's most current guidelines and bulletins dealing with hurricane deductibles.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 18 Nay 1 (03/15/2012)